# ARE WE A NATION OF RASCALS?

NOT so, said Daniel Webster. In a letter addressed to Baring Brothers of London, in 1839, in answer to an inquiry concerning the measure of security which the purchasers of bonds issued by the States of the American Union would have for their investment, he made use of the following language:

"The States cannot rid themselves of their obligations otherwise than by the honest payment of their debts. . . . They possess all adequate powers of providing for the case by taxes and internal means of revenue. They cannot get round the duty nor evade its force. Any failure to fulfil its obligations would be an open violation of public faith, to be followed by the penalty of dishonor and disgrace; a penalty, it may be presumed, which no State of the American Union would be likely to incur. . . . I hope I may be justified by existing circumstances in closing this letter with the expression of an opinion of a more general nature. It is that I believe that the citizens of the United States, like all honest men, regard debts, whether public or private, and whether existing at home or abroad, to be of moral as well as of legal obligation. . . . If it were possible that any one of the States should, at any time, so entirely lose its self-respect, and forget its duty as to violate the faith solemnly pledged for its pecuniary engagements, I believe there is no country upon earth — not even that of the injured creditor — in which such a proceeding would meet with less countenance or indulgence than it would receive from the great mass of the American people."

Whether the pecuniary liabilities of the States could be enforced by any processes known to the laws of the land, Webster was by no means positive; but with a *naïveté* that, in the light of subsequent events, seems curious enough, and a degree of satisfaction amounting to absolute pride, he insisted that, really, it was a matter of no consequence. Americans, in his eyes, were so honest a people, so fixed in the idea that debts, whether public or private, are of moral as well as of legal obligation, that it would be impossible for any of the States to repudiate their

financial undertakings. The letter of Webster containing the foregoing eloquent and confident words was published at the time it was written, both in this country and abroad; and, having received the decided approval of the newspapers and other exponents of American public opinion, by which it was quoted and commented upon with "swelling pride," led to the purchase, at good prices, of many of those depreciated obligations of American States, which are now held by the citizens of our own and other lands.

Well, little more than forty years have passed since the publication of the emphatic and gratifying assurances of the great American statesman, and what do we find to be the situation? In the vaults and safes and other depositories in which valuables are stored away throughout the investing countries of the globe, are to be found dishonored undertakings, bearing broad seals and other authoritative insignia of no less than nine of the twenty-six States that were in existence when Webster wrote, and of three more since added to the National Union; and these certificates of indebtedness with accumulated interest, represent now nearly three hundred millions of dollars. And instead of the delinquent communities bowing their dishonored heads in shame, and standing in an attitude of apology before the civilized world, they bear themselves in their peculiar position, if not with actual gratification, at least with singular effrontery. No concealment of their purposes is attempted; but with the black flag of repudiation openly displayed at the front, their citizens in organized political parties march to victory; and when the work of "killing" the coupons and other debentures of the public debts has been successfully achieved, the leaders of the movement plume themselves not a little upon the great good they have accomplished for their own people at the expense of outside creditors. And are such repudiating communities and the leaders of public sentiment within their borders subjected to that reproach and scorn which Webster predicted would be so overwhelming? An answer is supplied by a scene not long ago witnessed in the Senate of the United States, when a considerable majority of the Senators from the non-defaulting States labored long and hard to place in a responsible public position, with salary from the national treasury, a man whose only claim to distinction or consideration of any kind was the fact of his being the reputed author of the most ingenious measure so far adopted by any of the de-

faulting commonwealths for making repudiation a success. A further answer is found in the fact that the President of the United States, officially representing the people of the whole country, has notoriously coöperated with the boldest of all the repudiation chiefs, freely placing at his disposal the patronage of the General Government in the contest he was waging with such citizens of the State to which he belonged as adhered to the old-fashioned doctrine that public debts, like private debts, should be paid. Nor is the writer aware that the President and Senators referred to have, in this matter, met with the general condemnation of their countrymen. He does not at this time recall a single public gathering, of any nature whatsoever, that has expressed its disapproval of their actions in the form of a resolution formally adopted and published to the world. There has been plenty of criticism, and the policy pursued by our highest officials has been freely discussed and characterized, according to partisan interest, as a clever "deal" to catch an element as mercenary and uncertain in politics as it has been in finance; but how many among us have spoken out sternly and faithfully in condemnation of it in the far more serious aspect it bears of making the Government and people of the United States sharers in Virginia's crime and disgrace?

From the data obtainable from official sources, it is not easy to determine the exact liability of some of the defaulting States; but the following table, showing the amounts of dishonored paper they have issued, to the principal of which is added accumulated interest— sometimes running at rates as high as seven and eight per cent. — is substantially correct:

| | |
|---|---|
| Alabama | $38,812,000 |
| Arkansas | 20,807,000 |
| Florida | 5,280,000 |
| Georgia | 13,580,000 |
| Louisiana | 32,115,000 |
| Minnesota | 5,960,000 |
| Mississippi | 22,600,000 |
| North Carolina | 48,350,000 |
| South Carolina | 19,500,000 |
| Tennessee | 29,850,000 |
| Virginia, West Virginia | 72,220,000 |
| | $309,074,000 |

Portions of the foregoing liabilities have been adjusted through proceedings which the debtors have called compromises, and new obligations at reduced figures have been accepted in the place of the old. Credit should be given for these new issues as far as they have been confirmed by the payment of interest, which, unfortunately, has not always been the case. But as the so-called compromises have, in every instance, been compulsory and accepted by the creditors as a choice, as they believed, between something and nothing, it is folly to insist, as is done by the debtor States, that the residue of the debt has been legally or morally extinguished. Alabama, in this way, has issued $7,000,000 of bonds; South Carolina between $4,000,000 and $5,000,000; North Carolina, $3,500,000, and Minnesota, $2,500,000. Virginia, Tennessee and Louisiana have issued large amounts of new bonds, through a scaling-down process which they described as "a funding of the debt," but they have treated the new issues precisely as they treated the old.

All proper deductions having been made on account of these new undertakings (and they are offset to a certain extent by indorsements of some of the States on bonds of bankrupt railroad companies, not included in the foregoing statement), we find that the aggregate liability is not materially different from the figure mentioned, viz.: three hundred million dollars. Some of the States in the list, however, pay interest on certain obligations that they never have discarded, although rejecting others. Georgia pays on $10,000,000.

That a realization of the amount of delinquency may be had, it is only necessary to state that, not only does it exceed by more than fifty millions of dollars the total cost of the war of Independence on the American side, but is greater than the valuation of property, according to the last census, in either Alabama, Arkansas, Colorado, Delaware, Florida, Kansas, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, North Carolina, South Carolina, Oregon, Vermont, or West Virginia; greater than the combined assessments of Colorado, Delaware, Florida, Nebraska, Nevada and Oregon; and greater than the estimated possessions of all the Territories with the District of Columbia, including the nation's capital. But in no respect does the amount become so unpleasantly conspicuous as when contrasted with the total of State and Territorial bonded indebted-

ness that is honored by payment of interest, being the sum of $190,849,978.

But formidable as the amount appears and is, it by no means expresses the sum total of repudiated public indebtedness owing in this country; nor is the liability limited to the States named in the foregoing table. Cities, counties, townships, and school districts, all over the land, have issued their promises to pay, as is well known, mostly in the form of sealed instruments or bonds. So many of these local undertakings have been dishonored, that the amount of defalcation on this score undoubtedly exceeds the liability of the delinquent States. To realize how extensive this phase of repudiation among our people has been, we have only to look at that portion of the country known as the Mississippi Valley, and in natural advantages its richest portion, and note the number of communities that have, at one time or another, sought to escape the payment of their debts. We may commence the list of defaulting cities with Duluth, on the waters of Lake Superior, and on our way down take in Keokuk and McGregor in Iowa; Quincy and Cairo in Illinois; St. Joseph and Cape Girardeau in Missouri; Leavenworth, Lawrence, and Topeka in Kansas; Nebraska City in Nebraska; Little Rock and Helena in Arkansas; Memphis in Tennessee; New Orleans and Shreveport in Louisiana; Houston in Texas; and we stop only when the waters of the Gulf of Mexico are reached at Mobile. And then we have told but a small portion of the story. The list of defaulters among counties and townships, and the smaller and less prominent cities would swell the aggregate to startling dimensions. Of over three hundred municipalities in the rich State of Illinois that issued bonds in aid of railroad building, more than one-third have refused payment and endeavored to avoid it. Of one hundred counties, townships, and cities issuing bonds in Missouri, nine-tenths have defaulted. The record in Kansas is somewhat better, but still humiliating; while the bonded communities of Arkansas have been unanimous in attempting repudiation. Nor have those four States by any means furnished all the delinquent municipalities. Such municipalities can be found almost within sight of the steeples of New York city.

Being subject to the processes of the courts, delinquent municipalities have generally sought to escape payment of their

debts on legal grounds, usually of the most technical nature, and often successfully. The ignorance and carelessness of their own officials in issuing bonds have been taken advantage of without the slightest compunction. More frequently a defensive litigation, having no valid foundation whatever, has been protracted until creditors, worn out and disgusted, have consented to accept in satisfaction a moiety of what justly belonged to them. In many cases resistance in the courts continues. The losses on claims against the smaller communities probably exceed largely the total of dishonored indebtedness of the States. We can thus form an idea of the amount of money owing by the people of this country in a public capacity, generally by communities perfectly solvent, the liability for which is disowned or ignored and left unsatisfied. With the accumulation of interest and the natural increase of municipal and State defalcation, unless there should be a radical change in public policy in relation to this matter, the end of the next ten years will see that indebtedness swelled to a thousand millions of dollars. In a few years more, if nothing out of the ordinary course occurs, the volume of the repudiated public debts of the people of the United States will reach and overpass the national debt, now about $1,500,000,000, one growing as the other diminishes.

The disposition on the part of wealthy communities to shirk their pecuniary obligations has had many curious and striking illustrations. A number of Arkansas counties combined to resist the collection of bonds amounting to over two millions of dollars, on the ground that in transcribing the statute under which the bonds were issued, after its passage by the Legislature, the copyist had substituted an immaterial word of three letters for another immaterial word of two letters. A Missouri county issued bonds to the extent of its power. The bonds were indifferently printed, and the purchasers asked to have more presentable instruments substituted for them. The county authorities kindly complied with their request, and then set up the defense that the first bonds had exhausted their authority, and the new ones were an overissue. A Kansas county, threatened with suit on bonds, elected officials upon the understanding that they were to keep in hiding during their term of office. When public business demanded their presence at the county seat, they entered it after night had fallen and departed before the morning had dawned. The managing officials of a Missouri county, similarly situated,

were accustomed to meet only when the shire-town was carefully picketed against the approach of enemies and strangers, and service at the suit of the holders of its bonds was not obtained until a bailiff of the court, in the disguise of a drunken tramp, entered the place unchallenged and staggered into the presence of those against whom he held a writ. The commissioners of an Arkansas county used to resign as soon as they had transacted pressing public business, having an understanding with the Governor of the State that they were to receive fresh commissions when new business arose, to be surrendered as soon as it was transacted.

Everybody has heard of the shift of Memphis, Tennessee, when it wanted to rid itself of its debts, in committing corporate suicide by having its city charter repealed by the legislature of the State, and its territory relegated to "a taxing district." Duluth, the famous "zenith city of the unsalted seas," showed even greater ingenuity. That ambitious young city had taken into its corporate limits a liberal area of prairie and forest entirely innocent of improvements, and when the burden of its debts became too heavy to be conveniently borne, it had carved out of it "the village of Duluth," so shaped as to include all the settlement, while the city with the city's liabilities, was left like a veritable scape-goat in the wilderness outside. But a youthful city in Kansas displayed the keenest tact and enterprise. Having incurred all the debt it could, it secured a section of the prairie adjoining its corporate limits, quietly moved its houses to it, and left the old deserted site to the mercy of its creditors — literally running away from its debts.

But, of course, great States would not condescend to the shabby tactics and sharp contrivances to overreach creditors that might, not unreasonably, be expected of a mushroom city on the margin of Lake Superior or a newly organized and thinly settled county on the Kansas frontier; least of all venerable and blue-blooded commonwealths like Virginia, North Carolina, Louisiana, etc. Let us see: At the close of the rebellion, Virginia owed, principal and interest, about forty million dollars. Of the validity of the debt there was no question, but the State found herself deprived of one-third of her territory and resources through the action of the General Government in creating the new State of West Virginia. With the dismemberment the holders of her bonds had nothing to do; but because of it, on

the plea that she had been divested of one-third of her debt-paying ability, Virginia announced that, so far as she was concerned, they should be losers to the extent of one-third of their claims. She accordingly declared herself ready to take up the old bonds, and in place of them issue new ones representing two-thirds of their amount, on which she would pay six per cent. interest. The interest, however, was not paid, and she then offered to renew the obligations with a third issue of bonds, bearing three per cent. interest for a time, then four per cent., and then five per cent.; and to insure the payment of the interest, the coupons from the bonds were to be receivable for State taxes. Again, the interest was defaulted on, and then came what was known as "the Riddleberger bill," proposing a fourth bonded issue, in the amount of which there was to be a reduction of forty-seven per cent., the interest for the entire life of the bonds to be three per cent. And then, as Virginia's creditors had got used to being robbed, and the balance to be allowed them did not amount to very much anyhow, she concluded, under the inspiration of her "Re-adjuster" movement, to practically free herself from the residue of the debt she had acknowledged. This she accomplished by means of a very ingenious statute intended to prevent the use of the interest coupons for tax-paying, and which alone gave them or the bonds any real value. Upon the pretext that spurious bonds and coupons were in circulation, which, it seems, had no justification in fact, it was provided that the tax should first be paid in money, after which the coupon-holder might sue the State, the case to be tried before a Virginia judge and jury; and if he succeeded in establishing the validity of his demand to their satisfaction, he might then have a judgment to be paid out of any funds of the State available for the purpose. But as proof of the genuineness of one coupon was not to help the others on the same bond, of which there were sixty-four in all, and consequently sixty-four law-suits would be necessary, it will be seen that the cost of collection would largely exceed the amount at issue. The statute was very appropriately called the "coupon-killer." Its author, then a member of the Virginia Legislature, has since been promoted to the United States Senate. His merits as a legislator for one State being so conspicuous, to enlarge his sphere of usefulness, he has been made a law-maker for the people of the whole country.

In order to secure recognition as a separate State, West Virginia had to promise payment of her share of the old State debt. Accordingly, in the constitution she presented to Congress, it was declared that "An equitable proportion of the public debt of the commonwealth of Virginia shall be assumed by the State, and the Legislature shall ascertain the same as soon as may be practicable, and provide for the liquidation thereof by a Sinking Fund sufficient to pay the accruing interest and redeem the principal in thirty-four years." It was on that pledge that West Virginia was permitted to enter the Federal Union. But recognition as a State being secured, she proceeded to exercise a State's prerogative in the formation and adoption of a new constitution with the foregoing obligation left out; and although twenty years have elapsed and Virginia's creditors have again and again appealed to the new State to fulfil her promise, she has done nothing for them, and makes no sign of doing anything.

But peculiar as has been Virginia's treatment of her creditors, her next-door neighbor, North Carolina, has not been far behind her. When in accordance with the terms of bonds she had issued certain taxes were to be levied and collected for payment of the interest on them, and her officers refusing to execute the contract, were mandamused to compel them to do their duty, she abolished the writ of mandamus altogether within her borders. Nor have other great States been lacking in ingenuity of the same sort. When Georgia wanted to throw off a large part of her bonded debt, she appointed a commission, made up entirely of her own citizens, to investigate and report as to what obligations she should recognize and what she should reject. The bondholders were allowed no voice in the selection of the commission, and on the recommendation of that interested and one-sided tribunal, bonds representing millions of money were cast aside. Alabama pursued precisely the same course.

When Louisiana wanted to cut down her debt, she asked her creditors to accept new bonds for sixty cents on the dollar of their claims, and, as an inducement, added to her constitution an article stipulating that the bonds referred to are "hereby declared to create a valid contract between the State and each and every holder of said bonds, which the State shall by no means and in no wise impair ; also providing for an annual tax, the proceeds of which were to be sacredly applied to paying the interest on the bonds. The bonds were to bear seven per cent. interest.

But when the reduction in the debt had been secured, the State again changed her constitution, this time stipulating that only two per cent. interest should be paid on the bonds, unless their holders would accept new paper for seventy-five per cent. of the face amount, in which case they were to get four per cent. interest.

Arkansas, to aid in the construction of railroads and levees, issued bonds for some millions of dollars. But after the bonds had been sold at good prices, and the proceeds invested in permanent improvements, she made the important discovery that her constitution required the ayes and noes to be called in the passage of all statutes, and that the record failed to show that that formality had been observed in enacting the bond statute. She accordingly lost no time in having a case involving the question brought before her own Supreme Court, which duly decided the bonds to be unconstitutional and void, and thereupon the leading journal of the State published an article congratulating the people of Arkansas on the fact that "a great burden had been lifted from their shoulders." There was no sympathy expressed for the bondholders whose money had been appropriated.

The latest and, in some respects, worst case is that of Tennessee. After years of dickering highly discreditable to a great State, Tennessee and her creditors agreed on sixty cents as the figure at which the State's obligations should be settled. The compromise was ratified by the legislature, and the old securities were largely exchanged for new ones representing forty per cent. less of face value. But scarcely are the new obligations issued when Tennessee, having gone through a revolutionary political campaign and election, utterly discards both them and the agreement on which they were based. Without consulting the creditors at all, she legislates to substitute for the new bonds still newer ones at fifty cents on the dollar; and her present Chief-Magistrate, Governor Bate, is credited with declaring in a public address that, if the bondholders don't accept that amount, "then the bondholders may rot." For the sake of ten cents on the dollar, Tennessee is willing to break faith with the men who have furnished the money for her most valuable public improvements and the best friends she ever had, and in so doing has exhibited to the world the estimate she puts on her own reputation for fair dealing, It is not too much to say that, in the eyes of

the majority of Tennesseeans, the honor of their State is a very cheap commodity.

But in no particular has so much sagacity been shown as in the so-called compromises of some of the delinquent States with their creditors. Without direct repudiation, and yet without payment, they have managed to get rid of a large portion of the debts they could not dispute. Professing great sympathy with their unpaid creditors, but at the same time claiming to be very poor themselves, they have passed laws to settle in new paper at a heavy reduction on their original liability, taking good care to leave no hope of better terms to those creditors who might fail to come into the arrangement. The creditors, glad to get anything, have taken what was offered them. North Carolina paid off a large portion of her debt in new obligations, carrying a lowered rate of interest, at fifteen, twenty-five, thirty-three and one-third, and forty cents on the dollar. South Carolina, after rejecting $6,000,000 of her bonds altogether, settled the rest at fifty cents on the dollar. Alabama in that way reduced a very cumbersome liability to one of quite moderate proportions. Minnesota, after keeping her creditors waiting for twenty-three years, gave them new paper at fifty cents on the dollar, although by the act of settlement she admitted the justice of the whole demand. Virginia, Louisiana, and Tennessee, as we have seen, have practiced even sharper tactics. Through their various "settlements" they have materially diminished the amount of their outstanding paper, while their creditors seem very little nearer getting any money than they were before.

But the three States just named are not the only ones that have realized the advantage of repeated adjustments of their liabilities. In 1873 Alabama compromised $4,768,000 of eight per cent. bonds, which she had indorsed for railroad companies, down to $1,192,000 in new securities bearing seven per cent. interest; and in 1876 compromised this last issue down to $596,000, bearing five per cent. The same State, in 1874, by means of a compromise of the kind described, scaled $5,800,000 of eight per cent. indorsed bonds down to $1,000,000 at five per cent.; and in 1876, by another compromise, reduced the interest to two per cent. for five years, and so on up to five per cent. again, rejecting all interest, however, accruing before January 1, 1877.

The cases just mentioned clearly show that settlements with repudiators do not necessarily settle, and that re-adjustments

may adjust nothing. Nor is there anything very remarkable in the fact. The spirit of repudiation, when aroused, is not likely to find any point above zero at which it can be satisfied. When conscience is eliminated, and the old-fashioned law prevailing between debtor and creditor is set aside, nothing remains but a question of interest to be solved by supreme selfishness, and it is perfectly natural that the party having the upper hand should, from time to time, insist on another turn of the screw. A community that knows it has the power to do as it pleases, and fails to acknowledge the binding obligation of abstract justice, is not likely to be at all delicate in its exactions. It is as easy to take the horse as the bridle when the thief is in possession of the paddock.

If individuals, instead of States, had done the thing described, it is easy to tell what would be the effect upon their standing with all fair-minded men. But perhaps it is not remarkable when States do them that they should not be lacking in apologists and defenders. A fair sample of the argument by which their action has been justified, is furnished in a message to the legislature of North Carolina by a former Governor of that State, and now one of its United State Senators. Said Governor Vance:

"The public debt, as will be seen by the treasurer's report, amounts to $16,960,095, to which is to be added $10,160,182 unpaid interest. This is known as the recognized debt, as contradistinguished from the Special Tax bonds that are rejected. What shall be done with it, is a question that demands your best consideration. It is out of the question for us to attempt to pay its face value. Indeed, I do not conceive that there is any moral obligation on us to do so, nor do our creditors expect it of us. Quite one-half of our property, upon which one-half of our bonds were based, was wantonly destroyed by consent of a large majority of those who hold them, and no court of conscience on the earth would permit a creditor to destroy one-half of his security and claim full payment out of the remainder."

As North Carolina was one of those States that inaugurated the war, it would seem hardly fair that the consequence should be visited upon the heads of her creditors, even if they had all been actively on the other side during the conflict, instead of being, as many of them were, residents of foreign countries. Nor was there more logic or equity in the proposition to charge up against the bondholders a share of North Carolina's loss of slave property,—for that was the loss mainly referred to,—

when bondmen were changed to freemen. Individuals may have been impoverished through emancipation, but the State retained the men with all their bone, and sinew, and muscle, and it was the State that owed the debt.

The grounds on which the repudiating States, except Minnesota, have sought sympathy, and obtained it, have been their supposed poverty, and the alleged wrongful issue of bonds by "carpet-bag" governments. If they had exhibited a stronger disposition to pay according to the measure of their ability, which would at all times have fully satisfied their creditors, they would be entitled to much greater consideration on the first-mentioned ground. But, in point of fact, the States have been made richer instead of poorer by the results of the war, and they can no longer claim exemption from the duties of honest debtors on account of previous losses. On the 20th of last October, the "Times-Democrat," of New Orleans, published a sixty-column article giving a complete statement of the financial condition and progress of twelve Southern States, the statistics being furnished by their own governors, of which ten are repudiators; viz., Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Tennessee, and Arkansas. The figures given show that in the past four years, that is, since the last national census was compiled, the twelve States have added to their wealth the enormous sum of six hundred and forty-one millions of dollars,—a sum more than sufficient twice over to pay every dollar of the defaulted State debt. By way of contrast with the "Times-Democrat's" columns of figures, it would be interesting to give the prices for which the bonds of the States mentioned are selling at the New York Stock Exchange, some of those there listed being purchasable at from two and one-half to ten cents on the dollar of their face value. And as for many of their unlisted securities, although lawfully issued, and once disposed of for a full consideration, they would scarcely find takers if given away.

What absurdity, if not what dishonesty, to talk about those States not being able to do more than they are doing for the redemption of their credit! How ridiculous to claim for them that they do not pay the full measure of their debts because they cannot pay them, when we find the city of Poughkeepsie, in the State of New York, with only twenty thousand inhabitants, to-day, without a murmur of complaint, paying interest on a bonded

indebtedness more than one-third the magnitude of that recognized by either of the great States of North and South Carolina, and under which they stagger and groan. It is a fact that the same little city of Poughkeepsie — and its case is not particularly exceptional among north-eastern communities — to-day pays more interest in cash to its bond-holding creditors than either of the States of Virginia, Tennessee, Arkansas, Mississippi, or Florida, although their aggregate bonded indebtedness amounts to nearly one hundred and fifty millions of dollars.

The talk about the frauds perpetrated by carpet-bag governments in issuing the discarded bonds has, doubtless, done far more to extenuate the conduct of the defaulters in the eyes of the general public than anything else. So much has been said on that score that it is the common impression that all, or nearly all, the bonds in question have had that origin. Such, however, is by no means the fact. All of Virginia's debt antedates the carpet-baggers. Mississippi's bonds have been in default since 1842. The majority of Tennessee's issues were under a law passed in 1853. Most of Louisiana's liabilities preceded the war, as did a large portion of those of Alabama, Georgia, Florida, and the two Carolinas. When the carpet-baggers were expelled from Arkansas, the legislature of that State adopted a resolution repudiating a large portion of her securities on the ground that they had been imposed on her by "alien adventurers"; but bonds representing over a million dollars of her discarded debt have been held in England for more than forty years, and among her creditors, who get neither principal nor interest, is the treasury of the United States, which, away back in 1838, invested half a million of dollars of Smithsonian Institute funds in Arkansas securities, on which there has been no interest paid since 1842.

Nor is it a fact that the whole of the so-called carpet-bag bonds were fraudulently or unwisely issued. The proceeds were mostly invested in railroads and other public improvements greatly needed, and at the time generally demanded by citizens of all shades of political opinion. As a rule, the States would be gainers by the investment, if every one of the bonds had to be paid in full. Indeed, it has not been so much on account of alleged impropriety in the creation or disposition of the securities that they have been rejected, as on the sentimental ground that they were issued by usurpers; that is, by authorities repre-

senting the military power of the General Government and a sentiment of loyalty to it, rather than by disloyal majorities of the population. Excesses in bond-making were, undoubtedly, perpetrated by some of the carpet-bag administrations; but as a whole their financial records compare very favorably with those of their successors. The highest estimate ever put upon their aggregate misappropriations, and that, doubtless, was much exaggerated, has been twenty millions of dollars, while their successors have deliberately perpetrated a robbery of the creditors of the States to the amount of nearly three hundred millions.

The substance of the whole matter is, that twelve States of the American Union owe a very large sum of money which they are perfectly able to pay, which they ought to pay, but which they will not pay, and which they cannot, by any of the usual processes employed against delinquent debtors, be made to pay.

The question now arises, What is to be done with reference to these debts? Certain it is that the Supreme Court of the United States, in its recent rulings sustaining the "coupon-killer" statute of Virginia, and the repudiating enactments of Louisiana, has laid itself open to serious criticism,—a criticism fearlessly administered by some of its own dissenting members. Said Justice Field, in one of those cases:

> "I find myself bewildered by the opinion of the majority of the Court; I cannot comprehend it, so foreign does it appear to be from what I have heretofore supposed to be an established and settled law."

Whoever reads the labored arguments of the majority of the highest court in the land to prove that it is powerless to prevent and redress the plainest violations by the States of the highest law of the land, and the stinging censure passed upon its position by the minority of its members, must feel that there can be no more humiliating chapter in our national history, although it may be uncertain whether the blush of shame and indignation which comes to his cheek will be for the laws passed upon by the Court, or for the Court that passes upon the laws.

So far as the liabilities of defaulting cities, counties, townships, etc., are concerned, the Government has created courts with adequate jurisdiction and powers to determine the rights of the parties, and redress such wrongs as may be shown to

exist; and has given the creditors access to them, which is all that can fairly be asked. But although States are merely larger municipalities and not entitled, by reason of their greater resources and proportions, to any exceptional exemption from the obligation to deal honestly with all men, the Government gives their creditors no such opportunity; on the contrary, it has taken it from them, after having been conferred by the men of an earlier period.

It is clear that the obligated States themselves will not provide for these debts. What, then, remains to be done? Our answer is: Let the Government, which has full power in the premises, and which can promptly act through a simple majority of Congress, at once take steps to assume and arrange for the settlement of the debts of the delinquent States on some basis equitable to all concerned. As a matter of fact, a comparatively small amount of money or obligations would make a satisfactory disposition of the whole business. For such a policy there are several most potent reasons.

The General Government, in fact, is the only power which possesses the moral as well as legal ability to satisfy these claims, which it can speedily do through the action of Congress and its control of the national purse. So long as it fails to do so, and furnishes no means of redress through its courts, the provision of the Constitution that it was created, among other things, "to establish justice," is a misstatement and carries a reproach that should be removed. Many of these repudiated bonds belong to citizens of other countries, and this country has largely got the benefit of the bonds in the construction of railroads and other public enterprises of national importance. The bonds known as the "carpet-bag" issues are more a creation of the General Government than of the States, having been put forth by direction of authorities representing the General Government rather than the people of the States.

Our General Government has been a party—almost a *particeps criminis*—to repudiation in several of the States. The President of the United States has freely given the patronage and countenance of his high office in behalf of the repudiation movement in Virginia; many Senators and Congressmen, representing non-defaulting States, have pursued a similar course. The Supreme Court of the United States has tipped the scales of justice in the same direction. As a sequence to the success of

the repudiation movement in Virginia, and the outside support it has received, there has been a violation of a solemn agreement entered into between the State of Tennessee and its creditors, and all efforts on the part of other defaulting States to arrange with their creditors, largely for the same reasons, have ceased. These are facts as indisputable as any known to history.

The Government should care for these debts; the twelve commonwealths that are in default contain one-fourth of the entire population of the country. The public morals demand it; the severest reproach to-day attaching to Americans, as a people, is their indifference to public obligations. The general financial interest of the country demands it; America is yet a borrowing country, and must remain such for many years to come. The national security demands it; our Government owes its life to the credit of its bonds. Bonds are, indeed, a surer defense than bayonets; they create bayonets. Without the means of raising money, the strongest of peoples in the hour of danger would be powerless. I have said enough, however, to demonstrate that the question of redeeming repudiated State obligations is not merely an affair between the delinquent communities and their creditors; and for the remedy suggested there are plenty of precedents. Twice already has the General Government assumed and satisfied heavy debts contracted by the States; once in the early history of the nation, and again at the conclusion of the war of the rebellion. The same can be said of the gift of millions of acres of the public lands to the States.

The question is, whether the Government of the United States, in this matter of repudiated State obligations, will do anything for the honor of the nation; for it is something that involves the honor of the whole people. If a number of our States will pursue toward their creditors, whose fair dealing is undisputed, a course more shameless than that of Turkey or Egypt, and the General Government is so powerless that through its courts and other agencies it can do nothing to bring them to justice, or so indifferent that, with an overflowing treasury and ample power, it makes no effort to remedy this wrong; if the President, and Senators, and other public functionaries will use the Government patronage to strengthen the hands of the repudiators, instead of taking the part of the innocent victims of their dishonesty; if our political parties will cater to the

wishes and ambitions of the wrong-doers, in the hope of securing their support for partisan measures and interests, particularly that party whose representatives have created the whole of the defaulted State bonds which are most peremptorily discarded, and which has professed to be especially zealous in behalf of all forms of public credit; if the great body of our people can look upon such things with unconcern, virtually giving them their sanction, and making no effort to compel their rulers and legislators to respect the public faith and maintain the public honor, then the inevitable and just verdict of the civilized world will be, that we *are* a nation of rascals.

JOHN F. HUME.